BY THE NUMBERS 1

NBC won the prime time race for the week ended May 27 with an 11.1/21, followed by ABC's 10.4/19 and CBS's 10/19.

But CBS had the top-ranked program of the week—the series finale of *Newhart* (18.7/29). CBS had three other shows in the top 10, including *Murphy Brown* (third), with a 17.7/27, *Designing Women* (fourth), with a 17.2/26, and *Killing in a Small Town* (the *CBS Tuesday Movie*, seventh), with a 15.8/26.

Killing in a Small Town won three out of four half-hours, losing only to a *Roseanne* repeat, but beating the season finale of *thirtysomething* and an NBC made-for, *Last Flight Out*.

The final episode of *Twin Peaks*, in a special time period on ABC, Wednesday at 10 p.m., was first in network competition in that time period with a 12.6/22, beating *Night Court* and *Dear John* on NBC, and the CBS made-for *How to Murder a Millionaire*.

On Sunday night (May 27) Fox received winning performances once again from both *The Simpsons*

RATINGS ROUNDUP

Week 35 ◻ May 27–May 27

Ranked/rating	◻	Network	◻	Show
1	▲	18.7/29	C	*Newhart*
2		18.3/32	N	*Cheers*
3	▲	17.7/27	C	*Murphy Brown*
4	▲	17.2/26	C	*Designing Women*
5	▼	16.1/26	A	*Roseanne*
6	▼	15.9/29	N	*A Different World*
7	▲	15.8/26	C	*Movie: Killing/Small Town*
8	▼	15.7/30	N	*Cosby*
9	▲	15.5/25	A	*Movie: Voices Within, Pt.2*
10	▲	15.5/28	N	*Unsolved Mysteries*
11	▲	15.0/31	N	*Golden Girls*
12		15.0/26	N	*Wings*
13		14.9/31	N	*Empty Nest*
14		14.4/25	N	*Cheers Spec.*
15	▼	14.2/25	C	*60 Minutes*
16	▲	13.1/24	C	*Major Dad*
17	▲	12.9/22	A	*Coach*
18		12.8/23	A	*Exec. Fitness Videos*
19	▲	12.2/21	F	*Simpsons*
20		12.2/22	C	*Wonder Years*
21	▲	12.0/24	F	*Married...With Children*
22	▲	12.7/21	N	*Night Court*
23		12.6/22	A	*Twin Peaks Spec.*
24	▲	12.0/22	A	*Who's the Boss?*
25		11.6/26	A	*Carol & Company*
26		12.2/20	N	*Night of 100 Stars*
27	▼	12.1/20	N	*L.A. Law*
28	▼	12.0/21	C	*Rescue: 911*
29	▲	11.7/24	A	*Family Matters*
30	▲	11.7/25	A	*Full House*
31	▲	11.6/19	A	*thirtysomething*
32	▲	11.4/23	A	*20/20*
33		10.9/18	A	*B.Walters Spec.*
34	▲	10.8/19	N	*Matlock*
34	▼	10.8/22	C	*Murder She Wrote*
36		10.7/18	N	*Movie: Last Flight Out*
37	▲	10.6/21	A	*Perfect Strangers*
38	▼	10.5/16	N	*Dear John*
39	▲	10.5/20	F	*In Living Color*
40	▼	10.3/20	A	*Sunday Movie: Diamonds*
41		10.2/18	C	*Movie Spec.: Millionaire*
42		10.1/[illegible]	A	*Growing Pains*
43		10.1/20	N	*SNL 15th Ann. Spec.*
44		10.0/18	A	*Head of the Class*
45		9.7/18	C	*Comedy Bloopers*
46	▲	9.7/19	A	*Just the 10 of Us*
47	▼	9.5/18	C	*Sun. Movie: Request, Pt.2*
47	■	9.5/21	N	*FM*
49	▼	9.3/17	C	*48 Hours*
50		9.[illegible]	A	*MacGyver*
51	▲	9.1/20	N	*Ameri*
52	▲	9.0/17	A	*Primetime Live*
53		8.4/17	N	*Movie: K. McCormick*
53		8.4/14	C	*Siskel & Ebert Spec.*
55		8.4/15	A	*Young Riders*
56	▲	8.2/15	A	*Father Dowling*
57		7.8/16	N	*Baywatch*
57		7.8/14	C	*Sydney*
59		7.7/16	A	*Mystic: Movie: [illegible]*
60		7.3/14	C	*People Mag. on TV*
61	▲	7.1/17	N	*13 East*
62		7.0/15	F	*Cops Spec.*
62	▲	7.0/16	C	*Paradise*
64	▲	6.8/15	C	*Sat. with C. Chung*
65		6.5/13	C	*Movie Spec.: Request, Pt.1*
66		6.3/11	C	*Sliders*
67	▲	6.3/13	C	*Small Talk*
68	▼	5.4/11	F	*Booker*
68		5.3/12	N	*Disney: Parent Trap II*
68		5.4/12	A	*Mission: Impossible*
71		5.2/12	F	*Totally Hidden Video*
72		5.1/10	C	*Sugar & Spice*
73	▲	5.1/11	C	*Tour of Duty*
73	▲	5.1/8	F	*21 Jump Street*
75	▼	4.8/11	A	*Life Goes On*
76	▲	3.5/8	F	*Allen Nation*
77		2.8/7	F	*Outsiders*
78		2.6/6	F	*Bess/Tracey Ullman*

Source: Nielsen Media Research

FREEZE FRAMES: Syndication Scorecard

Week ended May 20

Rank	Program	Syndicator	Rtg	Stns	Cvg
1			12.7	233	99
2			11.7	221	99
3			10.3	235	98
4			9.2	217	99
5			9.0	140	95
6			8.4	180	97
7			8.1	204	98
8			7.9	206	92
9			8.0	195	97
10			6.1	174	96
11			5.9	230	99
12			5.8	195	96
13			4.9	178	91
13			4.9	178	92
13			4.9	184	97

The following shows were rated, but not ranked

			5.8	175	94
			9.1	249	97

Nielsen weekly pocketpiece

Source: Nielsen and Broadcasting's own research

Summary of Broadcasting & Cable

BROADCASTING

SERVICE	ON AIR	CPs [1]	TOTAL *

CABLE†

* Includes off-air licenses. † Penetration percentages are of TV household universe of 92.1 million. [1] Construction permit. [2] Instructional TV fixed service. [3] Studio-transmitter link. Source: Nielsen and Broadcasting's own research.

at 8:30 p.m. (13.3/26) and *Married...with Children* at 9 p.m. (12.9/24), and was second at 9:30 p.m. with *In Living Color* (10.5/20). For the night Fox was fourth overall with a 7.5/16, behind NBC, 7.7/16, ABC, 9.2/19, and CBS, 11/23.

Year to date (from Sept. 18, 1989), NBC leads in prime time with a 14.1/24, followed by ABC, 12.6/21, and CBS, 11.9/20.

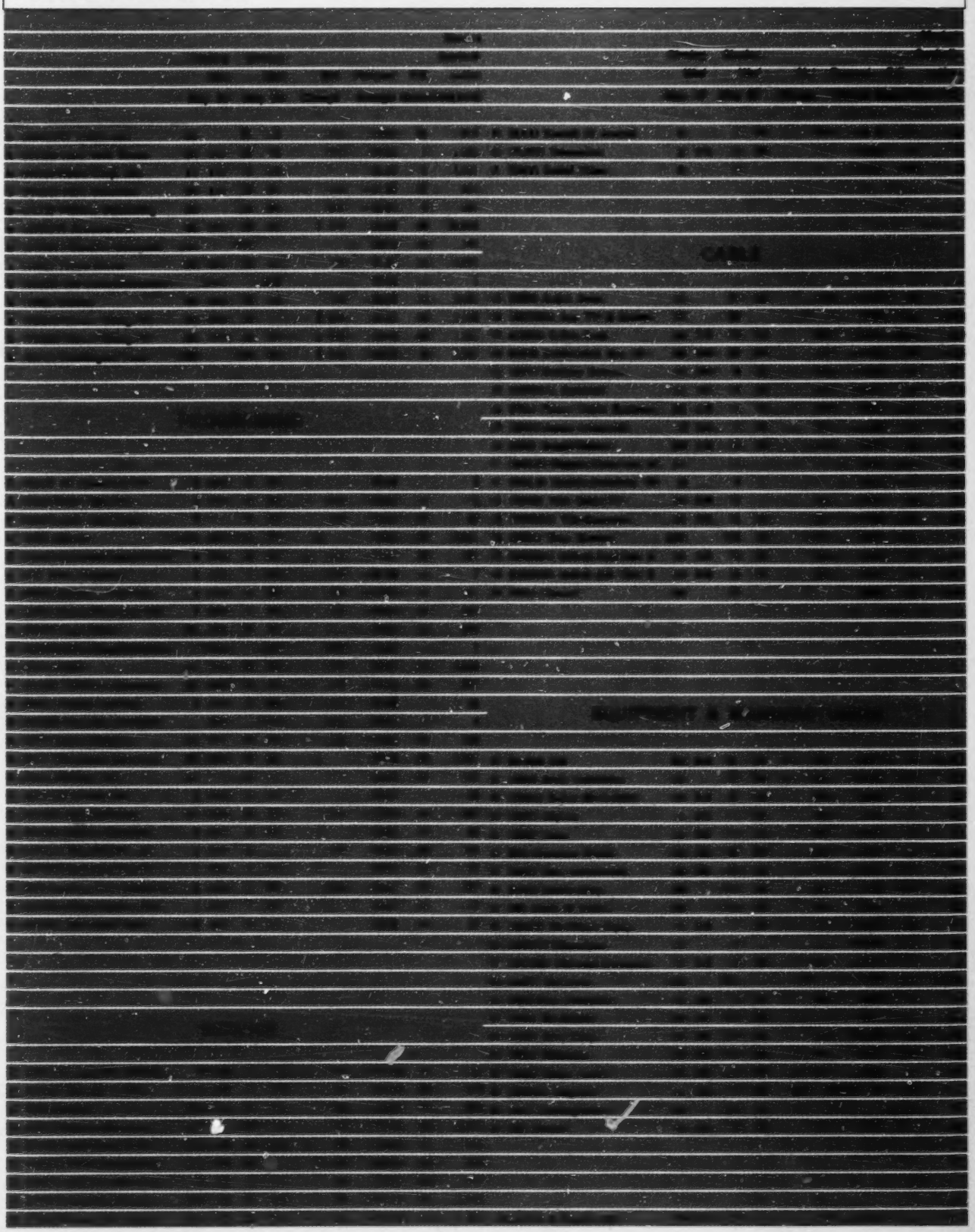
Focus On Finance

Media stocks, to varying degrees, participated in the market's broad-based advance last week. Perhaps best showing was by studio "majors" with Disney up 8% to 128¾, Paramount up 6% to 49⅜ and Time Warner up 3% to 107⅞. Several reasons could be found for Disney move, including strong buy recommendation from Wertheim & Co., possible advance word on film "Dick Tracy," and yet-again rumored merger with CBS, which was also up strongly last Wednesday. As of Thursday morning Disney was among most active New York Stock issues, based on comparisons against typical daily volume. Other entertainment stocks also did well, including Turner "A" stock, up 6% to 52⅝, and Viacom, up 4% to 54. Karen Firestone, manager of Fidelity's Select Leisure Fund, said gains "may have been a reflection of how low they had been previously...the fundamentals are not all that different." Cable operator rally hit roadblock last week with few showing gains. One that did, Mercom Inc. (MERO: OTR) was up 5% to 11¼. Two weeks ago major shareholder C-Tec increased ownership stake in Mercom to 19.9% from 11.68% and just prior to that Mercom adopted "poison pill" shareholder rights plan. Most equipment stocks held up well although Chyron continued to slide, to 1⅜, following announced net loss per share of 17 cents, compared to 1-cent profit in prior-year's period. Pulitzer was also off, although company's announcement of possible ABC-affiliation loss at WLKY-TV St. Louis had yet to hit Dow Jones news wire as of Thursday.

Stock Index Notes: T-Toronto. A-American. N-NYSE. O-NASDAQ. Bid prices and common A stock used unless otherwise noted. P/E ratios are based on earnings per share for the previous 12 months as published by Standard & Poor's or as obtained by Broadcasting's own research.

STOCK INDEX 1

STOCK INDEX 2



July 26-28—*Louisiana Association of Broadcasters* radio and television management session. Hyatt Regency, New Orleans. Information: (504) 383-7486.

July 27-29—*Radio Advertising Bureau* sales university, designed for salespeople with fewer than two years' sales experience. Milwaukee. Information: (212) 254-4800.

July 28—"The Drought and the Rest of Our Environment," seminar sponsored by *Associated Press Television-Radio Association of California-Nevada*. KEYT-TV Santa Barbara, Calif. Information: Rachel Ambrose, (213) 746-1200.

July 29-Aug. 1—*New England Cable Television Association* annual convention and exhibition. Newport Marriott and Sheraton Islander hotels, Newport, R.I. Information: (617) 843-3418.

August

Aug. 1-3—*Michigan Cable Television Association* annual summer meeting. Grand Traverse Resort, Traverse City, Mich. Information: (517) 482-2622.

Aug. 1-5—*National Association of Black Journalists* 15th annual convention. Theme: "Words and Images: Challenges for the Future." Century Plaza hotel, Los Angeles. Information: (703) 648-1270.

Aug. 2-4—*Michigan Association of Broadcasters* annual convention and awards banquet. Shanty Creek, Bellaire, Mich. Information: (517) 484-7444.

Aug. 11-14—*Georgia Association of Broadcasters* annual convention. Jekyll Island, Ga. Information: (404) 993-2200.

Aug. 12-14—*North Carolina CATV Association* and *South Carolina Cable Association* joint annual meeting. Radisson Resort, Myrtle Beach, S.C. Information: (919) 821-4711.

Aug. 12-14—*Arkansas Broadcasters Association* annual convention. Hot Springs Park Hilton, Hot Springs, Ark.

Aug. 15—Deadline for nominations for Women at Work broadcast awards for news and entertainment programs about working women that encourage greater recognition of women workers through accurate portrayals of their lives, sponsored by *National Commission on Working Women*. Information: (202) 737-5764.

Aug. 16—*Radio Advertising Bureau* regional sales training workshop, "dramatizing radio's competitive advantages against other media, and ways radio salespeople can accentuate radio's strengths in a media mix with other media, especially newspapers." Portland, Ore. Information: (212) 254-4800.

Aug. 17-19—*Radio Advertising Bureau* sales university, designed for salespeople with fewer than two years' sales experience. San Diego. Information: (212) 254-4800.

Aug. 23-25—*West Virginia Broadcasters Association* 44th annual fall meeting. Greenbrier, White Sulphur Springs, W.Va.

Aug. 26-28—*Nebraska Broadcasters Association* annual convention. Holiday Inn, North Platte, Neb. Information: (402) 333-3034.

Aug. 26-31—"Ethics in Broadcast News," seminar sponsored by *Poynter Institute for Media Studies*. Poynter Institute, St. Petersburg, Fla. Information: (813) 821-9494.

Aug. 28—*Women in Cable, Atlanta chapter*, breakfast. Speaker: Ruth Otte, president, Discovery Channel. Westin Lenox, Atlanta. Information: (404) 928-0333.

September

Sept. 6-10—Cinetex 1990, film market, production exposition, international comedy film festival and conference sponsored by *The Interface Group*, in collaboration with *The American Film Institute*. Bally's, Las Vegas.

Sept. 9-13—*National Association of Telecommunications Officers and Advisors* tenth annual conference. Theme: "A Decade of Service." Dearborn, Mich. Information: (202) 626-3061.

Sept. 10-12—"Financial Planning and Analysis," cable management program sponsored by *Women in Cable* and *Denver University*. Denver University campus, Denver. Information: Nancy Ring, (312) 661-1700.

Sept. 11-14—*National Broadcast Editorial Association* annual convention. Hilton hotel at Disney World Village, Orlando, Fla. Information: (301) 468-3959.

Sept. 12-15—Radio '90 convention, sponsored by *National Association of Broadcasters*. Hynes Center, Boston. Information: (202) 429-5300.

Sept. 12-16—First *National Association of Broadcasters/Broadcast Education Association* Radio Only conference. Hynes Center, Boston. Information: (913) 532-7645.

Sept. 13—"Celebrate the Winners—Creative Blockbusting," sponsored by *Cable Television Administration and Marketing Society, New York City chapter*. HBO auditorium, New York.

Sept. 13-14—*C-SPAN* "Capitol Experience" seminar "to provide cable operators with insight into the network's programing philosophy, reasons to carry C-SPAN and ways to promote it among their general audience." C-SPAN headquarters, Washington. Information: (202) 737-3220.

Sept. 13-15—*Public Radio in Mid-America* fall conference and annual business meeting. Best Western Inn of Chicago.

Sept. 14—*Society of Broadcast Engineers, Central New York chapter 22*, 18th annual regional convention. Sheraton Inn Convention Center, Liverpool, N.Y. Information: John Soergel, (315) 437-5805.

Sept. 16—42nd annual prime time Emmy Awards telecast, sponsored by *Academy of Television Arts and Sciences*. Pasadena Civic Auditorium, Pasadena, Calif. Information: (818) 763-2975.

Sept. 16—*Women in Cable, Washington chapter*, annual fall gala, honoring Sidney Topol, chairman of Scientific-Atlanta. Grand Hyatt hotel, Washington. Information: (202) 872-9200.

Sept. 16-18—Eastern Cable Show, sponsored by *Southern Cable Television Association*. Washington Convention Center, Washington. Information: (804) 782-9501.

Sept. 16-18—Fifth annual *National Association of Broadcasters* Hundred Plus Exchange, seminar for small market TV stations. Tabor Center Westin, Denver. Information: (202) 429-5350.

Sept. 18-20—*Great Lakes Cable Show*, sponsored by *Michigan, Indiana, Illinois, Wisconsin and Ohio cable TV associations*. Convention Center, Indianapolis. Information: (317) 634-9393.

Sept. 20-22—West Coast Public Radio annual conference. Eugene, Ore. Information: Martin Neeb, (206) 535-7180.

Sept. 21-23—*Maine Association of Broadcasters* annual meeting. Sebasco, Me.

Sept. 21-25—89th *Audio Engineering Society* convention. Los Angeles. Information: (212) 661-8528.

Sept. 24-27—*Radio-Television News Directors Association* international conference and exhibition. Speakers: Michael Gartner, president, NBC News, and Charles Osgood, CBS News. Convention Center, San Jose, Calif. Information: (202) 659-6510.

Sept. 25-27—*Atlantic Cable Show*. Atlantic City Convention Center, Atlantic City, N.J. Information: (609) 848-1000.

Sept. 26—*The Walter Kaitz Foundation* seventh annual awards dinner, honoring Ralph Roberts, chairman, Comcast Cable Corp. New York Hilton and Towers, New York. Information: (415) 451-9000.

The Fifth Estate

Broadcasting

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this year because they've finally recognized the changing landscape. The most aggressive schedule was Fox's because of their move to add two new nights of programing," he said. Of NBC, Ancier said, "Brandon really took off the gloves this year. He's probably got the most aggressive schedule they've had in a few years."

"CBS is showing some of the strongest product they've had in the past few years," said Ancier, who credited Jeff Sagansky, president, CBS Entertainment, with giving that network its strongest development in the recent past.

"This is certainly a more active schedule than last year," said Betsy Frank, senior vice president, Saatchi & Saatchi DFS-Compton, who noted that there were seven more new shows this year than last, and more established shows moving to new time periods this year. "ABC has taken a very conservative approach, not in terms of programing, but in terms of their scheduling, by staying with some shows to find out whether they will work." She cited as an example the network's decision to keep *China Beach* on the schedule, moving it to Saturday night, as the lead-in to *Twin Peaks*.

"On the other end of the spectrum is Fox," she said, "who seemed to make change for the sake of change. But they like to shake things up. Were their moves risky? Probably, but there are some trade-offs."

The biggest risk for Fox and probably the biggest risk overall was the move of *The Simpsons* to Thursday night as the anchor for Fox's surprising new night of programing. The move probably represents the most serious challenge that *The Cosby Show* has faced in its six-year run.

"It's a typical mano a cartoono situation," joked Paul Schulman, president, Paul Schulman Co., subsidiary of Advanswers Media Programing. He predicted that *Cosby* will continue to win the time period but not nearly as handily.

"What they're saying is, let's call out the bully now," said one major program supplier of Fox's move. "If they beat *Cosby* it moves them five years ahead," he said.

"The boldness of Fox in moving *The Simpsons* is a great move for the television business in general because it's going to generate a lot of conversation among people eagerly awaiting the showdown of these two powerhouses," said Salzman.

While the Thursday clash has been the most talked about confrontation, there are key match-ups on all seven nights, especially with Fox adding Thursday and Friday nights to their Saturday through Monday schedule.

On Monday night, NBC's *The Fresh Prince of Bel Air* is being viewed as this season's can't miss show. "NBC has the biggest hit of the season," predicted Schulman, who added, however, that the lead-out, *Ferris Bueller*, "needs a lot of work." NBC's key competition will come from CBS, which is also programing for younger audiences with *Uncle Buck* at 8 p.m. leading into *Major Dad*. Said Betsy Frank,

Prime time producers scorecard

Time Warner, the largest producer of prime time television series on the four networks for the 1990-91 season, may end up producing 20% of the television programs scheduled to debut next fall. It is already producing 19% of these shows, with one hour pending: the Fox Video Hour. Warner, through its Quantum Media, produces *Totally Hidden Video*, one of several contenders for that hour. Time Warner's Lorimar Television remains the single largest producer of network television shows, with 11, spread over eight hours, while Warner Bros. will account for six shows over 4.5 hours. 20th Century Fox Film Corp. is second to Time Warner in number of shows and hours it produces, either outright or in association with others—nine programs covering 5.5 hours. Paramount is a big gainer next season, adding three new shows for a total of eight shows over five and a half hours. Universal adds three programs, for a total of seven over five and a half hours.

A big loser was Stephen J. Cannell Productions, which lost four shows and now has just one hour-long program, *Hunter*, although its *Wiseguy* was picked up as a back order. Columbia Pictures Television lost four, but picked up three new ones, for a total of six shows covering three hours. Disney added two shows and now has six (three and a half hours).

Falling off the scorecard entirely are Alien Productions, Beyond International, Carson Productions, Castle Rock, and Our Production Co. The complete list of prime time producers follows with number of shows and total hours.

1. Lorimar (11/8) **2.** Paramount (8/5.5) **3.** Universal (7/5.5) **4.** Twentieth Television (Fox) (7/4) **5.** Warner Bros. (6/4.5) **6.** Disney (6/3.5) **7.** Columbia (6/3) **8.** MGM/UA (4/4) **9.** Carsey-Werner (4/2) **10.** CBS News (3/3) **11.** Viacom (3/3) **12.** New World (3/1.5) **13.** ABC News (2/2) **14.** Worldvision (Lynch/Frost) (2/1.5) **15.** Steven Bochco (2/1.5) **16.** ABC Sports (1/2) **17.** Aaron Spelling (1/1) **18.** CBS Entertainment (1/1) **19.** Cosgrove-Meurer (1/1) **20.** Ohlmeyer Communications (1/1) **21.** Orion (1/1) **22.** Stephen J. Cannell (1/1) **23.** STF Productions (Fox) (1/1) **24.** WCI (1/1) **25.** ABC Productions (1/0.5) **26.** Barbour/Langley (Fox) (1/0.5) **27.** Imagine Entertainment (1/0.5) **28.** MTM (1/0.5) **29.** NBC Productions (1/0.5) **30.** Reeves Entertainment (1/0.5) **31.** Vin DiBona Productions (1/0.5).

NBC	FOX
The Cosby Show 9	The Simpsons†† 4
A Different World 9	Babes* 4
Cheers 2	Class of Beverly Hills* 17
Grand 9	
L.A. Law 4	

ABC	CBS	NBC	FOX
Full House 1	Evening Shade* 28	Quantum Leap†† 3	America's†† Most Wanted 23
Family Matters 1	Bagdad Cafe 12		
Perfect Strangers 1	Over My Dead Body* 3	Night Court†† 5	D.E.A.* 1
Going Places* 1		Wings† 2	
20/20 13	Dallas 1	Midnight Caller† 1	

ABC	CBS	NBC	FOX
Young Riders†† 8	Four Alarm Family* 1	Parenthood* 27	Fox Video Hour*
China Beach†† 5	Hogan Family 1	Working it out* 4	
Twin Peaks†† 14	Green Machine 2	Golden Girls 6	COPS† 26
		Empty Nest 6	American Chronicles* 14
	48 Hours† 10	Carol & Co. 6	
		American Dreamer* 2	

BUSINESS AND FINANCE

Capital Cities/A… TCI □ Sony □ Viacom □ New… aatchi □ Cox Enterprises □ … sion □ HSN □ Paramount □ W… ne □ Comcast □ Cablevision … nes Mirror □ Gannett □ Kin… ion □ Scripps Howard □ Te… Cablevision Industries □ C… Bradstreet □ QVC Network … unnications □ Kodak □ FCB □ Washington Post □ A.H. Belo □ Univision Holdings □ Varian □ Meredith □ Media General □ LIN Broadcasting □ Spelling Entertainment □ TVX Broadcast Group □ Midwest Communications □ Jefferson-Pilot □ Liberty □ Westwood One □ Telemundo □ Malrite Communications □ Infinity □ Pulitzer Publishing □ Zenith □ Outlet Communications □ McGraw-Hill □ MGM/UA □ Lee Enterprises □ TCA □ Jacor Communications □ Park Communications □ Qintex □ American Family □ Gillett □ Jones Intercable □ Burnham Broadcasting □ Comsat □ New York Times □ Ackerly Communications □ Heritage Media □ Clear Channel Communications □ IDB □ FNN □ CCOR □ Burnup & Sims □ Price Communications □ Unitel Video □ Reuters □ Pathé □ Oak Industries □ Republic Pictures □ Playboy □ Falcon Cable □ Motorola □ Chyron □ Stauffer Communications □ dick clark □ Wegener □ Acton □ Fries Entertainment

Fifth Estate finance in recent years has fueled headline-making mergers, has provided the lift to stock options and in general has been an enabler of corporate strategies and visions. If finance runs in cycles, however, few would doubt this is now a downward part of the curve. Thus, this Special Report focuses on some still active sectors including insurance companies and commercial credit companies. In addition, BROADCASTING ranks the industry in its "Top-100" ECI and revenue listing and unearths some buried treasures from this year's crop of financial statements.

The private placement world of media debt

Insurance loans to cable and broadcasters in many cases are replacing bank and public debt

The relationship between the Fifth Estate and the insurance industry is varied and extensive. Even before considering the debt financing provided by insurance companies, there are a number with broadcasting subsidiaries or substantial equity investments: Nationwide (four AM's, 11 FM's, four TV's); Durham Life (two AM's, two FM's, one TV); Jefferson-Pilot (five AM's, five FM's, two TV's); American Family (seven TV's), Reliance (Telemundo), American Financial (Great American Broadcasting Co.), CNA (CBS) and Liberty (Cosmos).

In the public debt market from which MSO's, broadcasters and programers have sought funds, insurers have been major purchasers, in some cases buying nearly half of new high-yield issues.

But most recently the conduit channeling much insurance money to the Fifth Estate has been in the private placement market, where one or more insurance companies provide fixed rate loans to broadcasters or cable operators. For cable, in particular, insurance private placements have soared at a 37% compounded rate over the past two years, from $2.7 billion at the end of 1987 to $5.1 billion at year-end 1989, according to Paul Kagan Associates Inc., which said the insurers then held 14% of total cable debt.

The insurer's proportion of both cable and broadcast financing has almost certainly increased over the first five months of 1990 as banks continue to hold or trim their media portfolios.

Insurance company financing typically has maturities of between five and 15 years, bearing interest rates pegged at a premium of 1¾%-2¼% over a Treasury Bill of a comparable maturity (10-year Treasury notes, for instance, recently were at 8.6%, so that a 10-year insurance loan might be 10.6%). Insurance money has long provided a structural alternative to bank money, since the latter was both shorter-term and because the interest rate fluctuated since it was pegged at, say, ¾%-1½% over the prime rate, now 10%. Insurance companies sometimes provided subordinated debt as well, which might or might not include warrants or other forms of equity.

Despite the competitive interest rates, many companies previously preferred to deal with banks, said Mike Marocco, president of Sandler Media Group: "Banks were more aggressive and willing to lend at a larger multiple of cash flow or a larger percentage of the company's value.

However, insurance companies, he said, have more recently begun to get aggressive. The media business has provided a home for an insurer's constantly growing investable funds. One way in which they have become more aggressive, said Marocco, is by being more flexible on loan terms. For instance, he said, insurance companies would typically charge a premium if the company tried to repay debt before the principal was due. Now, said Marocco, the premium is not a fixed amount but will instead be a function of the prevailing interest rates, the idea being only to "make whole" the insurance company for income lost from prepayment.

Insurance lending grew in the 1980's for

HLT: A three-letter worry

It is strange that a two-page commercial banking definition should have found its way into the lexicon of broadcasters and cable operators. Yet whether known by its full name, "highly leveraged transactions," or its abbreviation, HLT, the term is today discussed in some Fifth Estate circles with the same frequency as "ratings" and "share."

What people are talking about is a policy statement issued last October by the three federal agencies—including the Federal Reserve Board—principally responsible for regulating commercial banks. The definition, further clarified in a four-page memo in February, seeks to give bank examiners a way of categorizing, as either HLT or non-HLT, the risk to banks from loans they have made to "buyout, acquisition or recapitalization."

Theoretically there are no ramifications from a loan falling into the HLT category since the federal agencies have not established a limit as to how many such loans banks can make. But just as a single gradation in a debt rating has created a divide between the world of "junk" bonds and the world of investment grade securities, so too does the HLT definition threaten to reduce and raise the cost of loans to the Fifth Estate, many, if not most, of whose loans meet the HLT characterization. Not only does the definition "provide guidance to bank examiners," as the policy statement says, but it has already become the test of risk applied to bank portfolios by ratings services and shareholders and, therefore, by the bank's own loan committees.

Said Chuck Coon, senior investment manager for Westinghouse Credit Corp., and recently with Society Bank: "You do have to footnote it or note in annual or quarterly statements what the HLT exposure is relative to the capital base, which for some banks is 125%. That's like standing on top of the bank and saying: 'Hey! The government has determined these things [HLT's] to be risky.' " Due to problem loans and to the HLT criteria, banks appear to be pulling in their horns. *Grant's Interest Rate Observor* recently cited a Federal Reserve survey of senior bank lending officers which found that "with respect to mid-market customers, more than one-half of the respondents indicated that they had moved to make loan covenants more stringent since late 1989 and a similar number reported that they had tightened collateral requirements."

A short and reasonably accurate version of the two-page definition is as follows: An HLT loan is one made to fund a "buyout, acquisition or recapitalization" completed after Jan. 1, 1987, if the transaction's "original financing package" is at least $20 million and if it meets any of the following other critera: 1) It doubles the borrower's liabilities [a term including any and "all obligation and claims"] and raises such liabilities to at least half the size of the borrower's assets; 2) It raises the borrower's liabilities to at least three-quarters of assets, with at least a quarter of those liabilities coming from a buyout transaction, or 3) The loan is designated an HLT loan by the loan syndication agent. A HLT designation is not necessarily forever; it can be delisted after two years, as was the case recently with Viacom's LBO financing.

What many broadcasters and cable operators complain about is that the definition, relying on asset and liability tests, ignores the cash flow on which the media industry has typically been valued. **–GF**

several reasons, according to Scott Inglis of American General. "First, the decline in Treasury rates led many people in the mid-80's to go from floating bank debt to fixed rate debt. Then there was a flood of LBO's [leveraged buyouts] and, following that, a lot of ESOP [employe stock option plan] transactions." Inglis continued: "The ESOP deals dried up in the middle of last year because of correcting legislation to the tax law. Although deals have since slowed somewhat, media is now one of the few industries where a sizable number of credit demands are surfacing."

Much of the increased credit demand is generated by media companies using insurance money to replace existing public or bank debt. For instance, Multimedia has sent out a proposal to raise several hundred million dollars to repurchase debt securities and repay some bank debt. News Corp. also was recently said to have raised just less than $100 million in insurance money, the proceeds of which were used to pay down bank debt. Companies are reducing their bank loans, either voluntarily or at the suggestion of their banks, which are trying to reduce their lending portfolios' proportion of "highly leveraged transactions" (HLT's), a category including many media companies.

The availability of insurance money also provides an opportunity for companies to reduce their exposure to higher-cost public debt, some of which has only recently become "cash paying." Insurance companies have, ironically, contributed to the demand for their private placement capabilities by pulling back their involvement in the public debt marketplace. Insurers were among the larger buyers of securities gone bad, including Univision and SCI Television.

On the one hand, it is next to impossible for borrowers to issue new high-yield securities publicly. On the other, it is now possible for some companies to buy in their debt at a substantial discount to face value, assuming they can borrow the money to do so.

Within the Fifth Estate, cable has been the biggest beneficiary of insurance company capital. Jim Gleaves, American General's portfolio manager, said: "The private market has appreciated the value of cable better than the public market. TCI might have public debt with a certain rating, but with us they get a better coupon on their debt than that rating would reflect. The public market is a superficially analytical market, requiring tight coverage ratios [cash flow to interest payments], whereas the private market looks at the stability of that cash flow. It is an inefficiency that I can't really explain."

American General's Inglis cited an example of the public market's inability to "appreciate" cable. "Continental Cablevision is really a great company, yet it is rated single B and the price of its publicly traded 12⅞ securities have declined 7%."

It is not an entirely even comparison between publicly placed debt and that placed with insurance companies. The latter is divided among a smaller number of creditors who have more leverage with the borrowing company and thus are able to insist on better protection for their loans.

Even with cable some insurers are cautious. At the end of 1988, cable represented roughly half of the $1.7 billion that Teachers Insurance & Annuity Association (TIAA), one of the bigger lenders to the media industry, had placed with media and communications companies, the second-largest industry in the insurer's $10 billion placement portfolio. But, said TIAA's Michael O'Kane: "At this point our tie to cable...would bear some watching. They are in very good shape relative to industry as a whole," but with "technological developments we would prefer to be exposed now for less than 10 years rather than more than 10 years."

Broadcast radio and TV represented about one-fifth of TIAA's media and communications segment. O'Kane said that despite the slowdown in advertising revenue, TIAA considers placements to broadcasters "as long as reasonable diversification and the debt to cash flow ratio is not out of line." Among its recent loans have been a $20 million senior loan and a $17 million subordinated loan, both due in 1999, to radio group owner Evergreen Media Corp.

Insurers have recent cause to be concerned about the quality of their portfolio as governmental attention has expanded beyond banks and S&L's to the insurance companies.

Some states already have regulations that effectively limit insurance loans to media companies, said Harold Guenther, director at Kemper Financial Services. He said that in Illinois, where Kemper is based, the insurance code prohibits them from lending to companies with "negative net worth," a category that includes virtually all cable MSO's.

A proposal to effectively increase insurers' cost of carrying publicly traded high-yield debt has been made by the National Association of Insurance Commissioners, which represents the state commissioners who largely regulate the insurance industry. Their oversight may get even tougher in an effort to forestall federal intervention in insurance regulation.

One area that state regulators may take a closer look at, said one insurance lending officer, is the credit ratings that insurance companies assign to their own placements. Even for publicly traded issues, where Moody's or Standard & Poor's have assigned a rating, the insurance companies sometimes assign a different, often better, rating.

Another constraint on insurance lending has been the size of insurance loans. Marocco said that a $250 million insurance loan, syndicated, or shared, among a number of insurers is still a "big deal.... Committing $50 million to any one credit for an insurance company is a lot." Agreeing was O'Kane, who said Teachers had occasionally placed loans for as much as $100 million, but that the average was a little under $23 million. More recently, he said, the typical participation by Teachers was in the $30 million-$50 million range. **-GF**

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The BROADCASTING Top 100 tops $40 billion

BROADCASTING's 12th annual survey of the Fifth Estate's Top 100 companies shows electronic communications-related operations of publicly reporting companies generated $40.9 billion in revenue, a 6% increase over last year's Electronic Communications Index (ECI) revenue of $38.5 billion.

Most of that $2.4 billion jump was concentrated in the top 10 companies which, at $21.4 billion, accounted for over half the ECI pie. Last year, ECI revenue for the top 10 was about $19.6 billion.

ECI revenue comprises a company's business interests in radio, TV, cable, satellite, allied services and manufacturing. The service industry includes advertising agencies and the Arbitron and Nielsen rating services. Items not included in ECI revenue for programers include revenue from the home video market and traditional theatrical motion picture exhibition. Items not included for manufacturers such as Sony and Zenith include television sets or any products for the general public and not built specifically or primarily for Fifth Estate commercial use.

The top three companies in 1988—Capital Cities/ABC, General Electric and CBS—finished in that order again in 1989. Capital Cities/ABC had an ECI revenue of $3.9 billion, a 4% gain from 1988. General Electric, NBC's parent company, was roughly flat, with a decline in NBC's operations offset by an increase in satellite revenue. NBC's decline was in comparison to 1988, an Olympics year which resulted in higher ad revenue. CBS's almost $3 billion revenue was up 6.5% compared to a year ago.

Finishing fourth this year was Time Warner, which had the same spot on the chart in 1988 as pre-merger Time Inc. (in 1988 Warner was ranked ninth). Cable MSO Tele-Communications Inc. was again fifth, followed again by Sony, whose $1.9 billion in ECI revenue had been boosted by the acquisition of Columbia Pictures Entertainment.

Rounding out the top 10 were Viacom, remaining at seven; News Corp., jumping 12 spots to number eight; Turner Broadcasting, up two spots to number nine, and ad agency Saatchi & Saatchi, up four to number 10.

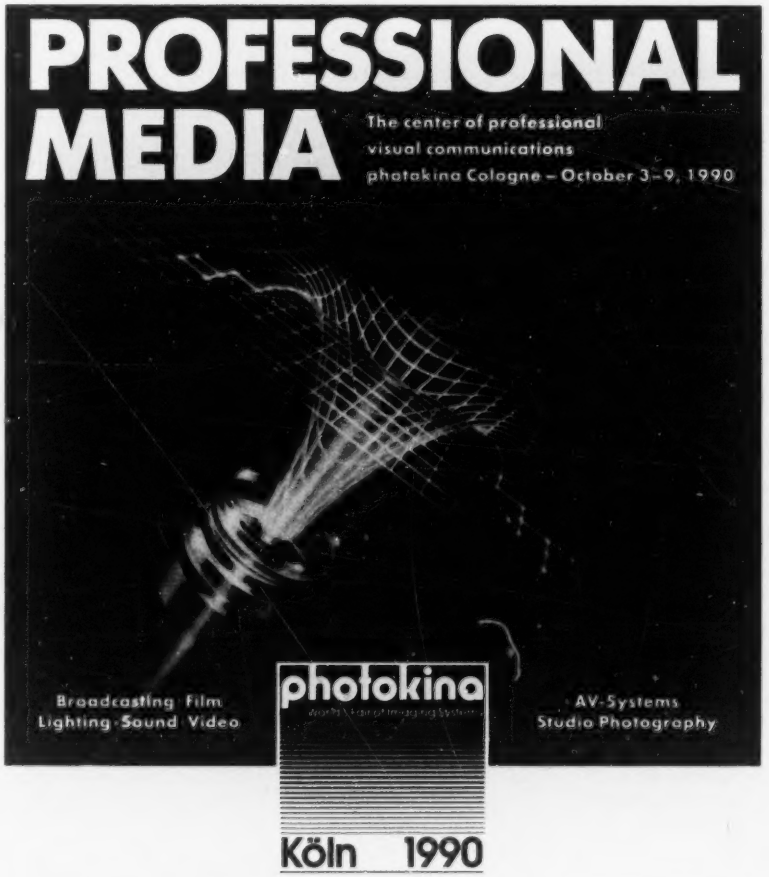
Falling out of the top 10 were Paramount, which last year, as Gulf + Western, was ranked eighth, and General Instrument, which fell from 10th to 13th.

Last year, the last company to make the cut was Playboy, with an ECI revenue of $28.8 million. This year, Fries Entertainment was the 100th company, with an ECI of $23 million.

Many factors account for the change in the ECI revenue cut-off, lowering the price of admission to the Top 100. For starters, mergers such as Time Warner and buyouts like Sony-Columbia opened up a few more spaces by reducing the number of corporate players. Also, Knight-Ridder, which last year had an ECI of $110.4 million, sold all its television station properties, and its cable interests are not consolidated with its total revenue.

The following two-page chart lists each company's ECI ranking, revenue and percentage of total revenue. The fourth column lists the company's total revenue, followed by its ranking based on total revenue. Percent changes in total revenues and earnings over 1988 figures are also included. Comparisons to last year's chart may not prove to be an effective barometer of change in revenue or income because companies often adjust financial statements on a year-to-year basis because of consolidations or reclassifications of business subsidiaries. Thus, figures for 1988 are those provided by the companies and not those from the 1988 BROADCASTING Top 100 chart (BROADCASTING, June 4, 1989). For comparison purposes, the far right-hand column of the chart shows each company's ECI ranking in 1985 (those that didn't make the list that year are disignated with an NM).

Not all companies in the chart operate within a calendar year. Several have fiscal years that ended in June or August of last year, or March of this year. –JF



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The Top 100

ECI Rank	Company	ECI Revenue (in Millions)	ECI % of Total Rev	1989 Total Revenue (in Millions)	Rev Rank	% Change From '88	1989 Total Earnings (in Millions)	% Change From '88	1985 ECI Rank
1	**Capital Cities/ABC**	$3,900.0	78.7	$4,957.4	10	4	$485.7	25	17
2	**General Electric**	3,410.0	6.2	54,574.0	1	9	3,939.0	16	26
3	**CBS**	2,959.9	99.9	2,961.5	18	6.6	296.3	-74.2	2
4	**Time Warner**	2,401.0	40	10,779.0	7	NM	-432.0	NM	NM
5	**TCI**	2,330.0	77	3,026.0	17	33	-257.0	NM	7
6	**Sony**	1,921.9	10.4	18,343.0	3	13	654.8	19	12
7	**Viacom**	1,436.2	100	1,436.2	30	14	131.1	NM	11
8	**News Corp.**	1,050.0	16.5	6,396.8	9	47	944.6	177	NM
9	**Turner Broadcasting**	1,032.6	92	1,065.1	36	32.1	-70.6	NM	23
10	**Saatchi & Saatchi**	1,003.6	61	1,645.2	27	7.7	-122.9	NM	30
11	**Cox Enterprises***	968.0	49	1,974.0	23	8.7	NM	NM	NM
12	**MCA**	916.6	27	3,382.3	16	16.6	191.8	16	8
13	**General Instrument**	817.0	59	1,377.3	32	5.5	98.7	15	22
14	**Continental Cable.**	780.6	100	780.6	40	25	-192.8	NM	NM
15	**HSN**	774.3	100	774.3	41	6	-14.9	NM	NM
16	**Paramount**	759.0	22.3	3,391.6	15	11	1,465.4	280	37
17	**Westinghouse**	646.0	5.0	12,844.0	4	2.8	922.0	12.0	5
18	**Interpublic**	628.45	50	1,256.9	34	7.9	70.6	17.4	9
19	**Tribune**	584.3	23.8	2,454.8	20	5.1	242.4	15.2	21
20	**Comcast**	502.6	89.3	562.3	44	25	-148.7	NM	68
21	**Cablevision Systems**	492.7	100	492.7	46	-0.16	-153.6	NM	53
22	**Disney**	468.0	10	4,594.3	11	34	703.3	35	74
23	**Omnicom**	458.7	45	1,019.3	37	14	46.8	19	NM
24	**Harris**	442.4	18.5	2,213.6	22	23	21.3	-79	10
25	**Times Mirror**	435.3	12.4	3,517.5	13	5.6	298.0	-10.2	58
26	**Gannett**	408.4	11.6	3,518.2	14	6	397.5	9.1	33
27	**King World**	396.4	100	396.4	53	41.7	76.1	25.3	77
28	**Scientific-Atlanta**	385.8	70	546.8	45	8	36.3	22	28
29	**Multimedia**	324.8	70.2	462.7	48	5.3	38.7	43.9	48
30	**Orion**	301.0	64	468.9	47	10	13.9	14	62
31	**Scripps Howard**	300.4	100	300.4	58	9.4	21	27	54
32	**Tektronix**	296.3	20	1,433.0	31	1	18.9	NM	29
33	**Control Data**	290.0	10	2,934.5	19	-19	-680.4	NM	13
34	**Great American**	282.4	94	300.6	57	-10	-115.6	NM	46
35	**Cablevision Industries**	258.8	100	258.8	61	106	-20.2	NM	NM
36	**Chris-Craft**	246.7	92.2	267.5	60	7	473.3	4,281	55
37	**3M**	239.0	2.0	11,990.0	5	5.9	1,244.0	7.8	24
38	**Grey**	230.2	56	411	51	10	13.9	-10	51
39	**SCI Television**	220.4	100	220.4	63	-2	-156.6	NM	10
40	**Dun & Bradstreet**	216.0	5	4,321.8	12	1.3	586.4	17.5	52
41	**GM/Hughes**	200.0	1.76	11,359.0	6	1	632.4	-3	NM
42	**QVC Network**	193.1	100	193.1	64	72	9.0	NM	NM
43	**Adelphia Comm.**	187.6	100	187.6	66	43	-12.6	NM	NM
44	**Century Comm.**	187.3	98	191.2	65	17	35.5	NM	86
45	**Kodak**	184.0	1.0	18,398.0	2	8	529.0	-62	38
46	**FCB**	182.6	56	326.0	56	-15	19.6	48.5	35
47	**Washington Post**	182.5	12.6	1,444.1	29	5.6	197.9	-26.5	49
48	**A.H. Belo**	179.2	43	417.1	49	8.2	23.4	131.8	44
49	**Univision Holdings**	153.1	100	153.1	74	15.8	-52	NM	NM
50	**Varian**	147.8	11	1,343.6	33	15	31.5	13.5	66

*Does not provide information on earnings.

The Top 100

ECI Rank	Company	ECI Revenue (in Millions)	ECI % of Total Rev	1989 Total Revenue (in Millions)	Rev Rank	% Change From '88	1989 Total Earnings (in Millions)	% Change From '88	1985 ECI Rank
51	Meredith	143.2	18	791.9	39	16.7	33.2	-30	61
52	Media General	139.5	23	606.4	43	-19.8	20.7	135	67
53	LIN Broadcasting	139.0	55	250.7	62	11	57.4	-30	47
54	Spelling Ent.	138.9	96	143.9	76	20	12.5	-35	NM
55	TVX Broadcast Group	130.5	100	130.5	79	-13.5	-29.4	NM	NM
56	Midwest Comm.	129.1	80	161.4	72	41	1.0	21	10
57	Jefferson-Pilot	127.0	11.1	1,140.2	35	3	137.7	36	79
58	Liberty	124.6	34.9	356.6	54	12.4	33.9	49	72
59	Westwood One	117.5	90	130.6	78	18.7	-3.5	NM	NM
60	Telemundo	116.4	100	116.4	80	14	-38.2	NM	NM
61	Malrite Comm.	109.5	100.0	109.5	81	-1.1	-5.5	NM	75
62	Infinity	107.8	100	107.8	82	11.2	-43.4	NM	NM
63	Pulitzer Publishing	105.4	26.2	402.2	52	2.9	31.4	59.8	NM
64	Zenith	100.6	6.5	1,549.0	28	11	-68.4	NM	43
65	Outlet Comm.	99.3	100	99.3	83	-5	15.9	NM	NM
66	McGraw-Hill	97.3	5	1,789.0	25	7	47.8	-74	71
67	MGM/UA	87.9	10	876.5	38	30	20.0	-43	73
68	Lee Enterprises	80.0	29.7	269.5	59	6.7	43.0	5.2	85
69	TCA	79.0	100	79.0	85	100	10.8	13	NM
70	Jacor Comm.	76.9	100	76.9	86	10	-15.4	NM	NM
71	Park Communications	73.2	44.9	163.1	71	1.7	18.7	-1.8	84
72	Qintex	72.8	85	85.7	84	NM	-33.2	NM	NM
73	American Family	70.6	2.9	2,438.2	21	4.7	80.8	-25.8	90
74	Gillett Holdings	67.2	8.7	773.5	42	3.4	-36.6	NM	NM
75	Jones Intercable	65.8	100	65.8	88	37	-24.3	NM	NM
76	Burnham Bcstg.	62.7	100	62.7	89	13	-19.6	NM	NM
77	Comsat	62.0	15	411.5	50	14.6	62.5	0.89	100
78	New York Times	60.0	3.3	1,768.9	26	4	266.6	59	81
79	Ackerly Comm.	50.1	34.3	146.3	75	10.5	-7.2	NM	NM
80	Heritage Media	48.9	29.6	165.0	70	255	-30.0	NM	NM
81	Clear Channel Comm.	45.7	100.0	45.7	93	30.2	-0.3	NM	NM
82	IDB	45.6	75	60.7	90	202.5	1.8	324	NM
83	FNN	44.6	100	44.6	94	40	3.0	-36	NM
84	CCOR	43.0	80	53.8	91	47	5.2	239	NM
85	Burnup & Sims	42.6	24	178.4	67	-14	9.2	29.3	83
86	Price Comm.	40.6	60.3	67.3	87	-18.6	-40.2	NM	NM
87	Unitel Video	38.6	100	38.6	96	14.6	-0.4	NM	NM
88	Reuters	38.2	2	1,910.9	24	18.3	290.8	43	NM
89	Pathé Comm.	35.7	10.2	349.5	55	-6	-32.4	NM	NM
90	Oak Industries	33.6	21	160.2	73	-2	-25.5	NM	88
91	Republic Pictures	32.9	69	46.5	92	-10	0.138	NM	NM
92	Playboy	31.5	19	166.2	69	4	-3.8	NM	93
93	Falcon Cable	30.1	100	30.1	99	23	-4.9	NM	NM
94	Motorola Inc.	29.0	0.3	9,620.0	8	16.6	498.0	12	15
95	Chyron Corp.	27.0	60	44.2	95	-4	-2.3	NM	NM
96	Stauffer Comm.	25.7	19.4	132.6	77	-1.4	5.1	-0.6	94
97	dick clark	25.6	100	25.6	100	21	2.6	NM	NM
98	Wagener Corp.	24.6	81	30.4	98	41	1.1	-36	NM
99	Acton Corp.	24.0	11	178.0	68	25.3	18.5	NM	NM
100	Fries Entertainment	23.0	66	34.8	97	-22	-2.1	NM	NM

Busy commerce for commercial credit

With their freedom from regulation circumscribing banks, finance companies are moving up food chain in lending to Fifth Estate

Commercial credit lending to the Fifth Estate is undergoing a reorganization, in part a response to changes in the credit climate. Within the past year at least half of the half-dozen or so major commercial credit companies (also referred to as finance, or credit, companies) have set up specialized departments to focus solely on media. Some are handling larger transactions than previously, while others are considering diversifying their portfolios to include media operations other than radio and TV.

The largest commercial credit company, General Electric Capital Corp., stabilized its portfolio over the past year, while most of its smaller competitors continued to expand the total volume of loans outstanding to the industry. But given the contraction in certain other key debt markets, particularly among banks and subordinated public debt, the demand is apparently outpacing supply, enabling finance companies to be selective about the quality and pricing of new loans. In short, it appears to be a good time to be in business.

Commercial credit companies have provided the fastest growing source of financing for both cable and broadcasters, with cable loans jumping at a 75.5% compound annual rate between year-end 1987 and 1989, while those for broadcasting grew at a 27.7% compound annual rate—that according to Paul Kagan Associates. In total, year-end commercial credit loans to the Fifth Estate added up to almost $5 billion, an amount still increasing.

One reason that credit companies can take market share away from the banks is that, being essentially unregulated, they are not affected by the not-so-subtle discouragement banks face in making "highly leveraged transaction" loans to the Fifth Estate. Mike Cummings, senior vice president and manager of GE Capital's Media & Communications, said he has even been in discussions with some banks about buying their media portfolios outright.

Commercial credit companies have also been able to provide a wider array of financing options than banks, with everything from fixed or floating rate loans to various kinds of subordinated debt and, in some cases, equity financing. Said Cummings, "We don't have to be as particular as banks about [loan] amortization schedules, and our interest could be either paid currently or deferred, ignoring certain ratios and other kinds of things that bank examiners would typically focus on."

Historically, credit operations made loans at rates three or four percentage points higher than banks and were not considered to be a senior lending resource for many companies. According to Matt Breyne, vice president of Greyhound Financial's media group, "If you envision lending as a food chain, we were generally considered on the bottom of that chain, with the banks and insurance companies skimming the less risky deals." Now, said Breyne, "The HLT (highly leveraged transaction) has moved some very reasonable credits down in our area."

Heller Financial's executive vice president, John Shemancik, agrees. "The total market has contracted by some 50% or 60% from a year ago. That is primarily a function of a lack of liquidity in the marketplace, primarily associated with HLT regulations. Within that diminished marketplace we are seeing a fair number of transactions, ones that are very supportable."

There are also new commercial credit players in the business, and rates, at least in some cases, are more competitive. Steven Pruett, who as manager of Blackburn Capital Markets helps arrange financing for station buyers, said: "Banks are now at prime plus 1½%-1¾%, while commercial finance companies are at 1¾%-2¾%.... We are not talking about prime plus four or five and there is no longer the stigma." Stephen Turpin, head of AT&T Capital Corp., agrees. "I think people will find that pricing on the better deals is within 50 basis points [half a percent] of the banks."

Because of the turmoil in the credit markets and because credit companies are more competitive, most, if not all, have more than enough business and have the luxury of being very selective.

This is true not just because of HLT's and the collapse of the new-issue high-yield debt market, but also because several commercial credit companies had earlier pulled back on their participation. Barclay's business credit, for one, moved its loan operation over to the bank side. Others said to have become less active players are Firstmark Credit and Glenfed.

The resulting credit demand has reached the point, said Robert J. Maccini, vice president of Chapman Financial Services, that regardless of the rates, it is very important

Maccini

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for media companies just to get the money: "...If a finance company wants to take advantage it could do so." Greyhound's Breyne noted that pricing was driven down when every bank had a "broadcast lending group." With supply and demand now working the other way, "That does put upward pressure on rates," he said, "...If I had to make a guess, we are looking at rates being forced up between one-fourth and one-half percent."

Commercial credit companies have motives other than expanding profit margins to be concerned about credit quality and rates. Most typically, they are themselves dependent on the capital markets for funds and are issuers of commercial paper or medium term debt. They, too, have to please an audience that includes Moody's and Standard & Poors.

Moody's analyst, Stephen Shippie, confirmed the dependence: "Their lifeline is medium term notes and commercial paper, a market in which there is a lot of turbulence going on. We and some of the major purchasers of commercial paper are taking a conservative tack...and there has been an increased price for those (credit companies issuing commercial paper) with lower ratings." Recently adopted accounting rules requiring companies such as General Electric and Chrysler to consolidate the balance sheets of their independent finance operations has also emphasized the importance of a quality loan portfolio.

The segments most hurt by the increased demand for commercial credit have been radio and smaller markets, said Maccini: "Right now finance companies who do business in the $1½ million-to-$25 million loan range—principally Greyhound, AT&T and Chrysler—are inundated. There aren't that many radio groups that need to borrow more than $25 million dollars."

The boom in business has already attracted some attention from those credit companies not actively involved in lending to the media industry. Shawn Somerville of Whirlpool Financial said that the head of the company's specialized finance group will, probably be "taking a look" at setting up a media operation." **GF**

Going commercial: A look at some lenders

AT&T Commercial Finance

AT&T Commercial Finance dates to before 1900 but it did not have a media finance group until acquiring that of PacifiCorp Credit in February. The divestiture, of which the $100 million media portfolio was only a part, was forced upon PacifiCorp because new accounting rules require the utility holding company to consolidate the credit operation with the utility's balance sheet, thus raising questions with state utility regulators.

Stephen Turpin Jr., who continues to run

Turpin

and expand the portfolio, said AT&T's operation is still focused on the "middle market" of $1 million-$10 million transactions, which by definition means a "heavy skew toward radio." But as part of the new parent company, he added, the credit operation is also willing to consider "new and larger targets of opportunity as they come by."

Among the broadcasters financed by AT&T are All Pro Broadcasting, Faircom Inc. and Steve Adams Jr.

Turpin said that while manny of AT&T's loans are to stand-alone stations, some of its problem loans have been to group owners: "The theory is that with a group, you'll have one station hitting if the other station is losing. But some groups have two out of three that aren't hitting."

The credit company's success lending to stand-alone properties, he said, is due to finding operators who know the market and are lending conservatively: "We don't like to fund market leaders, and if we do, it is at a more conservative level, maybe 50% of (the station's) value. With a poorly performing station we will go in aggressively, at 60% to 70% of value."

AT&T is not currently lending to cable, said Turpin: "When our business plan was put together the values of cable had already been bid up to $2,000 per home. In addition, there was a lot of industry consolidation and the bigger players were able to make it [lending] a pricing game, with banks bidding down rates to where it was barely profitable and not attractive to me as a lender."

Chrysler Capital Corp.

Chrysler Capital Corp. is an example of a commercial credit operation that recently (in January) decided to establish a specialized media operation. Some of its larger corporate finance clients are still served by a Greenwich, Conn.-based office, but most deals between $2 million and $20 million are now run through Chrysler Capital's Atlanta office, where the media group is based.

Mike Butterly, national manager, broadcast investments, explained the restructuring by noting the media industry was "relationship-oriented, one where you can have repeat business and can grow with your customer base."

Currently, the media portfolio is just less than $300 million, predominantly in radio and broadcast television. Butterly said that Chrysler initially looked only at larger market transactions but is now willing to consider medium

DeMita

markets as well: "Initially, we took more of a narrow market focus, to make sure that we were growing a healthy portfolio." He noted that some lenders are more comfortable with larger markets, both because there are more buyers should the properties need to be refinanced and because larger markets typically have a more diverse economic base.

Among deals financed by Chrysler Capital were Spanish Radio Network's purchase of WQBA-AM-FM Miami. Other Chrysler clients have included Opus Media and Ragan Henry.

Mike DeMita, manager, broadcast investments, said that typical financing terms were 5-8 years, with lending multiples up to eight times trailing cash flow. The group could provide senior and subordinated debt, but not the latter alone. Although not providing equity financing, Chrysler, like most other credit operations, will take warrants attached to the subordinated debt, although it also does "straight" subordinated debt. Butterly said the firm offers both fixed and floating rate terms and added that recently more customers are choosing the latter. DeMita said that a typical deal would have the buyer providing 20% of equity.

General Electric Capital

General Electric Capital has the largest media portfolio of the commercial credit companies, with roughly $2.8 billion in financings, half of that to cable operators. Most of the portfolio's growth took place in just two years, and since then GE Capital has been studying and altering its client mix.

Mike Cummings, senior vice president and manager of GEC's media and communications group—there is also an entertainment group headed by Ray Martin—said the two groups employ 18 professionals. Of the remaining $1.5 billion in the portfolio, about a third is in broadcast television financings, another third is in outdoor, and the remainder is in publishing and theaters.

Cummings, who prior to GE Capital had worked in financial jobs at GE's then-cable and broadcasting divisions, said the group is diversifying its portfolio somewhat away from television and toward publishing and telecommunications: "It is not that they [broadcast and cable] aren't desirable industries, it

is rather a portfolio decision."

But Cummings said the way GE Capital, along with others, does business has been affected by industry and big-picture trends: "The growth of the economy and advertising affects the ability to grow cash flow at the same rates as three to five years ago. Given that concern, people such as us are more conservative in advancing multiples [of loans to cash flow] and in accepting deferring interest."

Among GE Capital's recent financings were $115 million in senior bridge financing to New World Entertainment and a loan last year to V Cable consisting of $400 million in senior loans and $50 million of junior subordinated debt. Other regular clients have included Robert M. Bass, Adams Communications and partnerships headed by I. Martin Pompadur.

Cummings

Because of such high-profile clients and sizable loans, GE Capital's problem financings have also received more attention. Such was the case recently when GE Capital took ownership control of stations belonging to Pegasus Broadcasting. That problem is said to have been caused, however, by problems that GE Capital's sister company, Kidder Peabody, had in publicly placing the group owner's debt. GE Capital's control would be attributed to the television ownership limits affecting another sister company, NBC.

So far this year GE Capital has yet to complete any fundings, but Cummings said the group expects to do so in the second half, "now that the financial markets have settled down somewhat."

Despite GE Capital's mega-deal image, Cummings said the company does look at deals of less than $50 million "in a new industry where we are trying to get experience or if we are trying to start a relationship with a particularly attractive management team."

Greyhound Financial Corp.

Until three years ago, Greyhound Financial Corp. was a leasing company. But it refocused its operations to commercial lending after the 1986 legislative changes that reduced the tax benefits of the leasing business. Based in Phoenix, its media lending arm is headed by Matt Breyne, vice president, who estimates the media portfolio at nearly $250 million, or almost 15% of Greyhound's total business.

Within the media portfolio, said Breyne, roughly 70% is in radio and TV, with the remainder in cable and outdoor. Radio ranks at the top of the list largely because Greyhound focuses on the lower end of the transaction range, roughly from $2 million to $15 million. Said Breyne: "Between the big banks and local banks we have found a niche." Among its larger deals was a $12.5 million senior secured credit facility provided to group owner Vetter Communications.

Breyne

For the future, Breyne expects the credit company will increase its media portfolio to nearly $300 million by the end of this year, and afterwards by roughly 10% per year. He said the firm screens the quality of deals it takes on to maintain its own credit ratings, which have been upgraded several times over the past few years: "We don't have any large real estate exposures ... In an environment where most are getting [ratings] downgrades, we have had a good back room, and so out of $1 billion in total assets, only $50 million are non-performing."

Heller Financial

Heller Financial has been involved in communications lending since the mid-1970's but it, like most other commercial credit operations, has seen structural changes. Executive Vice President John Shemancik said that most of the changes have occurred since 1984, when Heller was acquired by The Fuji Bank Ltd.

One change is that Heller is now financing larger transactions—they average roughly $25 million-$30 million—although Heller's share of debt financings range from $15 million to as high as $75 million. Projects have included $27 million of senior financing and $9 million of mezzanine financing for Capstar Communications' purchase of six radio stations. Heller also helped Narragansett Capital finance its acquisitions.

Shemancik

Heller's media portfolio totals roughly $900 million, and includes financing for broadcast, cable, newspaper, magazine, cellular, paging and outdoor properties. Shemancik said that no one category accounts for more than 25% of the portfolio.

There are other ways in which Heller balances its portfolio, including loaning primarily for multiple property transactions. Said Shemancik: "We like the spread of risk, which makes us feel more comfortable about going deeper into the capital structure ... financing the mezzanine layer and, as of late, taking equity." The debt financing, he added, has become more "sophisticated. In some instances we provide pay-in-kind debt, even at the senior level."

Shemancik said Heller is usually either the sole or lead lender, but added that over the last year the company has syndicated some of the loans, "primarily as a method of managing our portfolio." The commercial credit company has also been a part of bank syndicates. Just within the past few months the media business division was moved from Heller's "special industries group" and placed within the "leveraged funding group."

Westinghouse Credit Corp.

Westinghouse Credit Corp. one year ago announced the formation of a "major industries group" in which media was one of the first three industries. Bradley Leibold, managing director of the group's media lending, said the current portfolio of loans was roughly $300 million, a sum that would probably increase by another $125 million by the end of the year. The department has increased in a year from two people to six, and now includes Chuck Coon, senior investment manager, who was recently hired from Society Bank.

WCC's primary focus is on radio and cable. Leibold said that although declining audience share for TV stations was a problem, the group was still looking for its first transaction, probably in the top 75 markets: "We are seeking the ideal transaction for our first [TV station] deal.... That becomes the standard."

The group's first radio transaction was a $95 million financing for Westwood One's purchase of KOLZ-FM Los Angeles last year. Others included roughly $65 million in senior, subordinated and equity financing provided to cable MSO Vista Communications, and a recently closed loan of roughly $75 million to Falcon Cable. Additional cable deals totaling $135 million are "in documentation," said Leibold.

The managing director ran through a hypothetical WCC deal that would include senior debt—provided on three-quarters of all WCC transactions—subordinated debt and equity. The financing would have a maturity of 10-12 years, but warrants would allow WCC to "put" the financing to the company after five years, and one year later, the company could "call" WCC's interest. The put/call, said Leibold, "effectively causes a refinancing of the transaction.... If we aren't the senior lender by year five, the senior bank should be comfortable enough to take out our subordinated debt."

Diving for pearls in proxies and annual reports: The stories behind the statements

Company filings with the Securities and Exchange Commission are probably the last place one would look to find information about ski vacations, Racquel Welch and "The Last Temptation of Christ." However, these are just some of the items BROADCASTING turned up in this year's crop of Fifth Estate proxy statements and annual reports. What follows are some of the more interesting bits of information.

Executives don't always just get paid annually, some still pull in "hourly" wages as well. E. Duke Vincent, a board member of Spelling Entertainment and vice chairman/executive producer of Aaron Spelling Productions (ASP), has a contract that not only provides a base salary of $400,000 annually but also could give him, for his services as executive producer, $10,000 for each half-hour series program produced by ASP; $15,000 for the first hour of each series program longer than half an hour; $15,000 for each additional hour beyond the first hour of each series program; $25,000 for each one-hour television series pilot, and $25,000 for each hour of a made-for-TV movie or mini-series.

■ Not all brokers help buy and sell media properties. In July 1987, Video Juke Box Network Inc. retained the services of shareholder J. Patrick Michael's company, Communications Equity Associates (CEA), as a consultant. The agreement required Video Jukebox to pay CEA a minimum of $15,000 per month. CEA also received royalty fees for every Video Jukebox "unit" placed in a cable system or contracted to be placed in a system. CEA continues to perform expansion consultation for Video Jukebox, and the company has agreed to pay CEA $167,500 starting last July.

■ While Ted Turner has been courting Jane Fonda, another Hollywood actress did not fare as well. On Jan. 29, a court cut in half the $10.9 million awarded to Racquel Welch for having been removed from an MGM/UA production. Turner Broadcasting, which inherited the damage award as part of its MGM/UA acquisition, is still not happy and two months ago filed a petition for review of the case with the Supreme Court of California.

■ George Gillett set up a barter arrangement between the SCI Television stations and his resorts in Vail and Beaver Creek, Colo. Stations could trade skiing visits for station advertising time, which was priced at a 25% discount rate. The financial document attributed the discount to the stations having "broad parameters as to when their commercials can be telecast" and to the ads being immediately preemptible. In 1988, resort advertising exceeded the stations' skiing by $1.1 million, but in 1989 the stations had a net expense of $79,000.

■ Turner Broadcasting System and minority shareholder Time Warner had a slightly different barter arrangement, the value of which jumped from $978,000 in 1988 to $6.2 million last year. Both sides agreed to "certain direct response, reciprocal and cash advertising commitments during the term of the agreement involving the company's [TBS's] programing services and certain publications published by Time Inc." Time also paid TBS $1 million for a Goodwill Games sponsorship that ends May 31, 1992.

■ Few companies appeared to have as many ties as Great American Communications Co. (GACC) did to other entities controlled by Cincinnati-based financier Carl Lindner. GACC received $1.5 million for radio and TV ad time from other Lindner-controlled entities, including Hunter Savings Association, Chiquita Brands International, Circle K convenience stores, The Provident Bank, United Dairy Farmers (principally owned by Lindner's brother, Robert D.) and Thriftway Supermarkets (principally owned by brother, Richard E.). From Lindner's primary investment vehicle, American Financial Corp., which is GACC's majority owner, the group owner bought $200,000 worth of lodging and conference services and $2.5 million in insurance premiums.

Programing payments to some companies from their own shareholders were often substantial.

■ For 1990 and thereafter, the TVX Broadcast Group is committed to pay Paramount $12 million for syndicated programing. Because Midwest Communications President and Chief Executive Officer James Rupp is on King World Productions' board of directors, the programer had to disclose that Midwest's TV stations paid King World "6.1% of reported consolidated revenues or about 5.3% of estimated consolidated gross revenues for Midwest Communications' last full fiscal year."

■ TBS said that payments received from Tele-Communications Inc. and affiliates increased from $15.3 million in 1988 to $38.1 million in 1989. Program payments from another TBS shareholder, Time Warner, jumped from $11.4 million to $18.9 million. In 1989, TBS's stockholders paid almost $4 of every $10 received in subscription fees.

Proxy statements and annual meetings are a forum for shareholders to express their viewpoints. Three Paramount Communications Inc. shareholders thought that the job of running Paramount was too much for one man. The shareholders said that while they have "great admiration for Paramount Chairman and Chief Executive Officer

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